

Washington, D.C. – Congressman Sanford D. Bishop, Jr. (GA-2) issued a statement today regarding the decision by the Internal Revenue Service (IRS) to make employer-provided health coverage for adult children under the age of 27 tax-free for Georgians. These changes immediately allow employers with cafeteria plans – plans that allow employees to choose from a menu of tax-free benefit options and cash or taxable benefits – to permit employees to begin making pre-tax contributions to pay for this expanded benefit.

“As we put health insurance reform in place, I will fight to put in place the best deal for America’s families,” said Congressman Bishop. “We have seen the health insurance companies move swiftly to make coverage available as children are graduating from college this Spring—and now further steps are being taken to implement quickly the reform signed into law in March.”

A key provision of health care reform requires health plans to allow young adults under the age of 26 to remain on their parents’ insurance policy, at the parents’ choice, effective in September 2010. In the last two weeks, more than 65 health insurance companies have agreed to implement this key provision early. This early implementation will avoid gaps in coverage for many graduating college seniors and certain other young adults and save on insurance company administrative costs of un-enrolling and re-enrolling them between May 2010 and September 23, 2010.

Another step forward in the work to provide coverage to young adults has been taken, with the release of new guidance from the Internal Revenue Service on its implementation of a related provision in the health care reform legislation. Effective March 30, 2010, this provision states that workplace and retiree health insurance plans can now allow parents to add their adult children under age 27 to their health coverage on a tax-free basis.

In its release, the IRS said, “These changes give employers a unique opportunity to offer a worthwhile benefit to their employees. We want to make it as easy as possible for employers to quickly implement this change and extend health coverage on a tax-favored basis to older children of their employees.”

The net effect of these two provisions is that, beginning in September 2010, it will be mandatory for health plans to allow adult children to remain on their parents’ policy up until age 26 – while

Bishop Announces Tax-Free Employer-Provided Health Coverage is Now Available for Young Adults

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employers and employees will have a voluntary option to have adult children to remain on the policy on a tax-free basis up until age 27.

Please see the [IRS Release](#) for more information.

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